United Nations S/2001/1086

Security Council

Distr.: General
19 November 2001

Original: English

Report of the Secretary-General on the humanitarian implications of the measures imposed by Security Council resolutions 1267 (1999) and 1333 (2000) on the territory of Afghanistan under Taliban control

1. In resolution 1333 (2000) of 19 December 2000, the Security Council requested me to report periodically on the humanitarian implications of sanctions on the territory of Afghanistan under Taliban control. A first report, covering the first 60 days of sanctions under resolution 1333 (2000), was submitted on 20 March 2001 (S/2001/241), and a mid-term review was submitted on 13 July 2001 (S/2001/695).

2. Owing to the precarious security situation inside Afghanistan, the United Nations had to relocate its international staff on 12 September 2001. Consequently, the personnel and researchers assigned to monitor and assess the humanitarian implications of the sanctions regime imposed by Security Council resolutions 1267 (1999) and 1333 (2000) have not been able to discharge their functions from within Afghanistan.

3. As a result I am not in a position to submit the report envisaged for the third quarter of 2001 on the humanitarian implications of the sanctions referred to above.

01-64638 (E) 191101

Annex to the letter dated 16 November 2001 from the Permanent Representative of Chile to the United Nations addressed to the Secretary-General

[Original: Spanish]

Press communiqué on the meeting between the "troika" of Ministers for Foreign Affairs of the Rio Group and the Minister for Foreign Affairs of India

On the occasion of the fifty-sixth session of the United Nations General Assembly, a meeting was held today between the Ministers for Foreign Affairs of the "troika" of the Rio Group — composed of Ms. Soledad Alvear, Minister for Foreign Affairs of Chile, Mr. Guillermo Fernández de Soto, Minister for Foreign Affairs of Colombia, and Mr. Roberto Rojas López, Minister for Foreign Affairs of Costa Rica — and Mr. Jaswant Singh, Minister for Foreign Affairs of India.

Other Ministers for Foreign Affairs of countries members of the Rio Group also attended this meeting. The Minister for Foreign Affairs of India was accompanied by other senior members of his delegation.

The Ministers expressed their satisfaction with this first formal institutionalized meeting between the Rio Group and India. During the meeting the following subjects were considered:

- The overall situation in the two regions.
- The principal agreements reached at the Fifteenth Summit of Heads of State and Government of the Rio Group.
- The international situation and terrorism.
- The strengthening of the role of the United Nations.
- Cooperation in international forums (the environment, terrorism, drug trafficking, money laundering, the arms trade).
- Coordination of joint positions on matters relating to the World Trade Organization.
- Cooperation with regard to information and communications technology, with special reference to overcoming the technological gap.

Both the Ministers for Foreign Affairs of the Rio Group and the Minister for Foreign Affairs of India were of the view that there was great potential for understanding and mutual cooperation with regard to all the subjects discussed. They agreed to promote joint action and common positions within the framework of the United Nations and, in particular, at the forthcoming International Conference on Financing for Development and the World Summit on Sustainable Development.

The Ministers for Foreign Affairs of the Rio Group appreciated India's offer to share its experience in the field of information and communications technology and to strengthen cooperation in matters relating to technology.

The Minister for Foreign Affairs of India expressed his satisfaction with this first meeting with the Rio Group, which he regarded as the most important forum in the Latin American region on various multilateral matters.

On the subject of terrorism, the Ministers for Foreign Affairs of the Rio Group and the Minister for Foreign Affairs of India categorically condemned the terrorist attacks carried out against the United States on 11 September 2001 and expressed their support for the actions undertaken by the international community to eradicate this scourge.

The Ministers for Foreign Affairs also agreed that all terrorist acts and methods constituted a grave violation of the purposes and principles of the United Nations, a threat to international peace and stability and an impediment to global economic growth. Moreover, terrorism was aimed at destroying human rights and fundamental freedoms and, in particular, it threatened the open and pluralistic character of democratic societies. Terrorism was a global scourge which must be dealt with on a collective basis.

Finally, it was agreed that the Rio Group and India would continue to work together in coordinating joint positions on matters of mutual interest.

New York, 14 November 2001.

United Nations A/56/634–S/2001/1087

General Assembly
Security Council

Distr.: General
20 November 2001

Original: English

General Assembly
Fifty-sixth session
Agenda items 21, 56, 58, 59, 61, 90, 95 (a), 97 (c), 98 (a), 105, 111 and 166

Cooperation between the United Nations and regional and other organizations:

Launching of global negotiations on international economic cooperation for development

United Nations reform: measures and proposals

Strengthening of the United Nations system

Restructuring and revitalization of the United Nations in the economic, social and related fields

Questions relating to information

Macroeconomic policy questions: trade and development

Sustainable development and international economic cooperation: high-level dialogue on strengthening international economic cooperation for development through partnership

Environment and sustainable development: implementation of Agenda 21 and the Programme for the Further Implementation of Agenda 21

Globalization and interdependence

International drug control

Measures to eliminate international terrorism

Security Council
Fifty-sixth year

01-64895 (E) 211101 211101

Letter dated 16 November 2001 from the Permanent Representative of Chile to the United Nations addressed to the Secretary-General

I have the honour to enclose the press communiqué issued by the "troika" of Ministers for Foreign Affairs of the Rio Group, composed of the Ministers of Chile, Colombia and Costa Rica, with the Minister of Foreign Affairs of India, at their meeting held on 14 November 2001 during the fifty-sixth session of the General Assembly (see annex).

I should be grateful if you could arrange for the present letter and its annex to be circulated as a document of the fifty-sixth session of the General Assembly, under agenda items 21, 56, 58, 59, 61, 90, 95 (a), 97 (c), 98 (a), 105, 111 and 166 and of the Security Council.

(*Signed*) Juan Gabriel **Valdés**
Ambassador
Permanent Representative

United Nations A/56/635–S/2001/1088

General Assembly
Security Council

Distr.: General
20 November 2001

Original: English

General Assembly
Fifty-sixth session
Agenda items 97 (c), 105 and 166

Sustainable development and international economic cooperation: high-level dialogue on strengthening international economic cooperation for development through partnership

Globalization and interdependence

Measures to eliminate international terrorism

Security Council
Fifty-sixth year

Letter dated 16 November 2001 from the Permanent Representative of Chile to the United Nations addressed to the Secretary-General

I have the honour to enclose the press communiqué issued by the "troika" of Ministers for Foreign Affairs of the Rio Group, composed of the Ministers of Chile, Colombia and Costa Rica, with the Minister of Foreign Affairs of Ukraine, at their meeting held on 13 November 2001 during the fifty-sixth session of the General Assembly (see annex).

I should be grateful if you could arrange for the present letter and its annex to be circulated as a document of the fifty-sixth session of the General Assembly, under agenda items 97 (c), 105 and 166 and of the Security Council.

(*Signed*) Juan Gabriel **Valdés**
Ambassador
Permanent Representative

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Annex to the letter dated 16 November 2001 from the Permanent Representative of Chile to the United Nations addressed to the Secretary-General

[Original: Spanish]

Press communiqué on the meeting between the "troika" of Ministers for Foreign Affairs of the Rio Group and the Minister for Foreign Affairs of Ukraine

A meeting was held today between the "troika" of Ministers for Foreign Affairs of the Rio Group — composed of Ms. María Soledad Alvear Valenzuela, Secretary pro tempore and Minister for Foreign Affairs of Chile, Mr. Guillermo Fernández de Soto, Minister for Foreign Affairs of Colombia, and Mr. Roberto Rojaz López, Minister for Foreign Affairs of Costa Rica — and Mr. Anatoly Zlenko, Minister for Foreign Affairs of Ukraine.

This meeting took place during the fifty-sixth session of the United Nations General Assembly.

During the meeting, the following agenda was considered:

- Information on the Rio Group and the recent Fifteenth Summit of Heads of State and Government
- Information on points of interest to Ukraine
- Exchange of views on possible joint action within the framework of the United Nations
- The international situation and terrorism.

The Ministers for Foreign Affairs of the Rio Group and the Minister for Foreign Affairs of Ukraine strongly condemned the acts of terrorism perpetrated recently in the United States and declared their readiness to support the efforts of the international community to combat terrorism. They also emphasized the need for all countries to implement Security Council resolutions 1368 (2001) of 12 September 2001, 1373 (2001) of 28 September 2001 and 1377 (2001) of 12 November 2001.

The Ministers greatly appreciated this first meeting between the Rio Group and Ukraine and agreed to continue to hold meetings of this kind in the future..

New York, 13 November 2001.

United Nations S/2001/1089

Security Council

Distr.: General
19 November 2001

Original: English

Report of the Secretary-General pursuant to paragraph 5 of resolution 1360 (2001)

I. Introduction

1. The present report is submitted pursuant to paragraph 5 of Security Council resolution 1360 (2001) of 3 July 2001, in which I was requested to provide a comprehensive report to the Council 150 days after the entry into force of the resolution on its implementation. It describes the developments in the implementation of the humanitarian programme in Iraq pursuant to resolution 986 (1995) since my latest report, covering the period up to 31 August 2001, which was submitted to the Council on 28 September 2001 (S/2001/919). Accordingly, in reviewing the implementation of the programme during the present phase, the Council may also wish to take into consideration the information provided in my previous report. Unless otherwise stated, the cut-off date for the data contained in the present report is 31 October 2001.

2. I should like to reiterate that despite its shortcomings, as well as the complaints and criticisms levelled by various quarters against the programme, it continues to make a considerable difference in the daily lives of the average Iraqi citizen. Undoubtedly, the effectiveness of the programme can be further improved if all parties concerned take the necessary concerted measures to remove the difficulties faced in its implementation.

3. As stated in my previous report (ibid., paras. 3-5), however, the effective implementation of the programme countrywide continues to face a number of serious difficulties and obstacles to which I have repeatedly drawn the attention of the Security Council, as well as the attention of the Government of Iraq, in my previous reports. The Office of the Iraq Programme has also regularly brought the difficulties encountered to the attention of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait, as well as to the Government of Iraq.

4. The programme has continued to suffer because of a number of factors, including the cumbersome procedures involved in formulating the distribution plan and the late submission of the plan which has been subjected to thousands of amendments, starting soon after its approval and continuing throughout a given phase and beyond; slow contracting for essential supplies by both the Government of Iraq and the United Nations agencies and programmes; and the inordinate delays and irregularities in the submission of applications for such contracts to the Secretariat by both the suppliers and the agencies and programmes concerned. The serious difficulties encountered in the approval of applications have been compounded further by considerable delays in the issuance of approval letters for approved applications due to the fact that the Government of Iraq did not make proper and timely adjustments in sectoral funding allocations, as well as to delays in the opening of letters of credit for a large number of approved applications owing to slow action by the Central Bank of Iraq and delays in the delivery of goods to Iraq by the suppliers long after letters of credit have been issued, accentuating the need for an early decision by the Committee regarding the provision of legitimate commercial protection to the Iraqi buyers. Programme implementation has also suffered from inordinate delays and/or refusal to grant the required visas and delays in the clearance of imports of essential supplies and equipment, particularly those required for programme

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implementation in the three northern governorates of Dahuk, Erbil and Sulaymaniyah. Finally, the absence of an agreement on the implementation of a cash component as envisaged in resolution 1284 (1999) continues to hamper severely the implementation of the programme.

5. Programme implementation has also suffered considerably because of the substantial reduction in revenues from oil exports, both because the volume of oil exports under the programme was reduced or suspended by the Government of Iraq and because of the comparatively lower price of oil on the international markets. As at 31 October, there were only some $1.2 billion in unencumbered funds still available for approving additional applications. If all the applications currently being processed were approved and the holds lifted, the ESB (59 per cent) account would be short of funds by over $6 billion.

6. While I welcome the efforts made by the Committee and its members to expedite the lifting of holds placed on applications for contracts, the unacceptably high level of holds placed by the Committee, which has remained almost unchanged at 1,544 applications with a total value of over $4 billion, also continues to affect adversely the efficient implementation of the programme. Out of the above-mentioned total, 413 applications, worth some $1.3 billion, remained on hold pending a response from the suppliers concerned to requests for additional information and/or technical clarifications by the Committee members placing the holds. On the other hand, the Committee members have not given any feedback to the Office of the Iraq Programme concerning 460 applications, worth $1.7 billion, on which the requested information appeared to have been provided. There were also 210 approved applications, with a total value of some $465.2 million, for which the issuance of approval letters awaited a decision by the Government of Iraq regarding necessary adjustments to sectoral funding allocations. Furthermore, approval letters have been issued for 583 applications, worth a total of $883 million, for which the Central Bank of Iraq had not sent the request for the opening of letters of credit to BNP Paribas, with an average delay of 111 days. Moreover, there were 751 applications, including for oil spare parts, worth $1.22 billion, for which the relevant letters of credit have been issued but under which no deliveries have been made to Iraq by the suppliers.

II. Revenue generation

A. Oil production and sale of petroleum and petroleum products

7. Since the beginning of phase X, the oil overseers and the Committee have reviewed and approved a total of 139 contracts (including 46 contracts from phase IX extended into phase X, 5 of which were subsequently cancelled by the State Oil Marketing Organization of Iraq) involving purchasers from 36 countries.[1] The total quantity of oil approved for export under those contracts is approximately 387.2 million barrels, with an estimated value of 7 billion euros ($6.3 billion at the current rate of exchange). However, because Iraq has overcommitted the contractual volume of oil available to the buyers, the volume of crude oil lifted during the phase will be substantially lower and is expected to total some 290 million barrels, for an estimated revenue of 5.9 billion euros ($5.4 billion at the current rate of exchange).

8. Based on the estimated revenue, and after the required deductions are applied pursuant to the relevant resolutions, approximately $3.77 billion will be available for programme implementation. It may be recalled that the distribution plan for phase X (S/2001/758, annex III), submitted by the Government of Iraq was budgeted at $5.5 billion. Hence, a revenue shortfall of about $1.73 billion is expected for the funding of supplies and equipment under the present phase. The revenue shortfall is attributable mainly to the sharp decline in oil market prices over the past two months, as well as the rate of export of Iraqi oil under the programme during the present phase, which has been lower than normal. The funding of supplies and equipment to be purchased under the distribution plan for phase X has been further compounded by the fact that, because of the substantial shortfall of funds in the previous phase, 352 approved applications, with a total

[1] Algeria (1); Austria (1); Belarus (1); China (7); Cyprus (6); Denmark (1); Egypt (3); France (6); Indonesia (1); Italy (2); Jordan (7); Kenya (2); Lebanon (2); Liechtenstein (5); Namibia (2); Nigeria (1); Oman (1); Pakistan (5); Panama (4); Qatar (3); Romania (3); Russian Federation (21); Singapore (2); South Africa (1); Spain (2); Switzerland (8); Syrian Arab Republic (7); Thailand (2); Tunisia (1); Turkey (5); Ukraine (7); United Arab Emirates (11); United Kingdom of Great Britain and Northern Ireland (2); Viet Nam (4); Yemen (1); and Yugoslavia (1).

value of over $1.6 billion, have been transferred to phase X for funding purposes.

9. A total of 150 loadings, comprising 236.6 million barrels of oil with an estimated value of 4.915 billion euros ($4.444 billion at the current rate of exchange) have been completed. Of this volume of exports, 37.9 per cent was exported through Ceyhan, Turkey, and 62.1 per cent was exported through Mina al-Bakr, Iraq.

10. The oil overseers have continued to advise and assist the Committee on pricing mechanisms, contract approval and modifications and other pertinent questions related to oil exports and monitoring under resolution 986 (1995) and all subsequent relevant resolutions. In particular, the oil overseers have been involved in the discussions held in the Committee and in the Security Council on the issue of endorsing official selling prices for Iraqi crude oil for a period shorter than a full month. A hold placed by the Committee on October pricing mechanisms for deliveries to the United States market and released towards the end of that month set a precedent for the retroactive pricing of Iraqi crude oil.

11. The oil overseers and the independent inspection agents from Saybolt deployed to observe oil loadings and transfers have worked closely to ensure the monitoring of the relevant oil installations, as well as liftings. A total of 14 independent inspection agents from Saybolt were on site observing oil loadings, transfers and liftings, with six agents based in Mina al-Bakr, three in Zakho (Iraq) and five in Ceyhan.

12. A report from the captain of a vessel alleging two instances of illegal Iraqi crude oil loadings at the Mina al-Bakr terminal was received by the Office of the Iraq Programme and brought to the attention of the Committee on 24 October.

B. United Nations accounts pertaining to the Iraq programme

13. The United Nations accounts pertaining to the Iraq programme are divided into seven separate funds pursuant to paragraph 8 (a) to (g) of Security Council resolution 986 (1995). As at 31 October, 3.78 billion euros had been deposited into the account for phase X, as authorized under Council resolutions 1284 (1999), 1330 (2000) and 1360 (2001), bringing the total oil sale revenue since the inception of the programme to $37.33 billion and 12.035 billion euros. The United Nations Iraq account term investments have been placed with five different creditworthy banks. The allocation of total oil revenue among the various funds and corresponding expenditures are reported in annex I, and the number and value of letters of credit pertaining to oil proceeds and humanitarian supplies are reported in annex II.

14. In paragraph 8 of resolution 1360 (2001), the Security Council requested that I take the steps necessary to transfer the excess funds drawn from the account created pursuant to paragraph 8 (d) of resolution 986 (1995) for the purposes set out in paragraph 8 (a) of that resolution in order to increase the funds available for humanitarian purchases, including, as appropriate, the purposes referred to in paragraph 24 of resolution 1284 (1999). No excess funds were available for redistribution for the purchase of additional humanitarian supplies during the reporting period. A further review will be undertaken at the end of phase X, and any excess funds identified at that time will be made available for redistribution accordingly.

15. It may be recalled that in paragraph 7 of its resolution 986 (1995), the Security Council requested the Secretary-General to establish an escrow account for the purposes of the resolution, to appoint independent and certified public accountants to audit it and to keep the Government of Iraq fully informed. Furthermore, in the relevant provisions of the memorandum of understanding (S/1996/356, para. 14), it is stated that in accordance with the United Nations financial regulations, the Iraq account would be audited by the Board of Auditors, who are external independent public auditors. As provided for in the regulations, the Board would issue periodic reports on the audit of the financial statements relating to the account. Such reports would be submitted by the Board to the Secretary-General, who would forward them to the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait and to the Government of Iraq.

16. Accordingly, the escrow account has been audited by the Board of Auditors every six months and the reports have been made available to the Government of Iraq and the members of the Committee. In addition, the programme has been audited on a regular basis by the United Nations internal auditors. Furthermore, there are two resident auditors, one in Baghdad and one in Erbil, in northern Iraq.

17. It is regrettable, however, that the recently planned visit of two external auditors to Iraq had to be cancelled because, in a note verbale dated 22 September 2001 addressed to the United Nations Office of the Humanitarian Coordinator in Iraq, the Ministry of Foreign Affairs, inter alia, reiterated the request of the Government of Iraq for the joint audit operations to be conducted by the United Nations and Iraqi auditors, adding that doing so would help the Ministry to review entry visa applications. The Executive Director of the Iraq Programme, in a letter dated 30 October 2001, addressed to the Permanent Representative of Iraq, stated, inter alia, that any attempts to link the issuance of entry visas for independent auditors to the Iraqi request for a joint audit, which was implied in the note verbale, were unacceptable. It was also pointed out that paragraph 7 of resolution 986 (1995) and the relevant provisions of the memorandum of understanding did not provide for any joint audit operations to be conducted by independent and certified public accountants and Iraqi auditors, and that the present auditing arrangement was fully consistent with the requirements for the audit of the escrow account set forth in paragraph 7 of the resolution. Accordingly, it is recommended that the Government grant the required visas to the auditors most expeditiously.

III. Processing and approval of applications for contracts

Processing of applications received under the ESB (59 per cent) account

18. As at 31 October, the Secretariat had received contract applications signed by the Government of Iraq with a total value of $34.44 billion, against a total of $34.87 billion budgeted under the distribution plans for phases I to X. However, the actual funds available for contracting by the Government of Iraq stood at a total of $29.59 billion, which comprised all principal allocations to and interest revenues on the funds in the ESB (59 per cent) account, the reimbursements made and expected from the ESC (13 per cent) account for the bulk procurement of food and medicines, as well as the share of the ESC (13 per cent) account for the cost of oil spare parts. The Committee and the Secretariat had approved and/or notified 15,654 contract applications with a total value of $28.33 billion. Accordingly, there were some $1.26 billion in unencumbered funds still available for approving additional applications, all of which are reserved for oil spare parts and equipment and for special allocations pursuant to paragraphs 7 and 9 of resolution 1360 (2001). A statistical overview of the processing and approval of all applications for contracts submitted under the ESB (59 per cent) account is contained in annex III.

19. The substantial difference between anticipated revenues (planning figures) and actual proceeds from the sale of oil, as well as the greatly varied rate of submission and/or approval of applications among various sectors of the programme, has resulted in major disparities in the availability of funds to cover other sectors. Consequently, some sectors were almost fully funded up to the distribution plan levels, while a shortage of funds prevented the issuance of approval letters for 210 applications approved in other sectors, including agriculture, education, electricity, health and water and sanitation totalling $465.2 million. I should like to reiterate my deep regret that the Government of Iraq has not taken action on the repeated proposals of the Executive Director of the Iraq Programme for revising the distribution plan allocations in the light of the actual availability of funds, in order to ensure the required funding balance among various sectors as well as the expeditious issuance of approval letters. Therefore, I have requested the Executive Director of the Iraq Programme to address the issue of sectoral funding disparity by issuing approval letters on the basis of the percentage of funds allocated to various sectors in the distribution plan budget. The processing of applications has also suffered from major fluctuations in the rate of submission of applications. Intermittent backlogs have developed following sudden and large influxes of applications.

20. Although the net value of applications on hold remained unchanged at just over $4 billion since my last report, the relative value of applications on hold declined further from 16.8 per cent to 16 per cent of the total value of all applications circulated to the Committee. Of the above total, 413 applications, worth $1.3 billion, remained on hold pending the submission of additional information from the suppliers, as requested by the Committee members placing the holds. In order to expedite action by the suppliers, the Executive Director of the Iraq Programme has informed the permanent and observer missions concerned that failure by the suppliers to provide the additional information within 60 days of the request

would result in the relevant applications being placed in the "inactive hold" category, without any further action, pending a response from the suppliers concerned. Some 165 applications, worth $321 million, that had remained in this category over 60 days were transferred to inactive hold status and will be reactivated once the requested information has been received.

21. On the other hand, there were 460 applications, worth $1.7 billion, for which the requested information had been provided to the Committee members placing the holds but on which no feedback had been received. The Executive Director had sent letters to the Committee members concerned regarding some 217 applications, worth $469 million, which had remained in that category over 60 days. In this connection, I should like to welcome the resumption of technical review by the Committee of the issues relating to the implementation of the programme, and to reiterate my appeal for a more expeditious assessment of all sectors, as well as the reconsideration of applications placed on hold.

22. Following the revisions pertaining to the lists of biological, chemical and nuclear items transmitted to the Security Council in June (see S/2001/560 and S/2001/561) taking effect in July and September 2001, the United Nations Monitoring, Verification and Inspection Commission (UNMOVIC) reassessed all the applications previously determined to contain one or more items on those lists. The assessment confirmed that a total of 239 applications contained fewer notifiable items, while 185 applications, which were still on hold, no longer contained any of those items. The latter group of applications was circulated anew to the Committee as amendments and 50 such applications (27 per cent) were subsequently released from hold, while the reason for the hold was changed in the remaining cases.

23. The number of applications on which at least one member of the Committee disagreed with the Secretariat experts on whether they contained any items notifiable according to the revised list under resolution 1051 (1996) decreased from 218, valued at $648 million on 15 September, to 171, worth $430 million, due mainly to the recent revision of the lists of items and technologies to which the export-import mechanism approved under resolution 1051 (1996) applies, as well as other measures.

24. A total of 889 applications, valued at $1.02 billion, have been approved and/or released from hold on the specific condition of "end-use/user" observation, under which full or partial deliveries have been made against 461 applications, valued at some $762 million. In order to facilitate the tracking and reporting of those applications, the Office of the Iraq Programme has developed an end-use/user verification database, which is now fully operational, with Committee members having full viewing access to its contents.

25. While I welcome the reduction in the number and value of approved applications for which BNP Paribas had not received requests from the Central Bank of Iraq to issue letters of credit, I urge the Government of Iraq to further reduce their volume. With an average delay of 111 days, the volume of such applications still remains very high, involving 583 approved applications worth $883 million, for which the Central Bank of Iraq had not sent the request for the opening of letters of credit to BNP Paribas.

26. In expressing my regret at the absence of legitimate commercial protection for the Iraqi buyers, I should like to reiterate once again my appeal to the Committee to accord the highest priority to taking the measures necessary to protect the ESB (59 per cent) account against commercial malpractice or occasional fraudulent practices.

Processing of applications received under the ESC (13 per cent) account

27. Some $6.08 billion was allocated to the ESC (13 per cent) account, of which $3.63 billion was allocated to the United Nations for implementing the humanitarian programme in the three northern governorates on behalf of the Government of Iraq. The remaining $2.45 billion was allocated for reimbursement to the ESB (59 per cent) account for the supplies of food, medicines and vaccines delivered to the three northern governorates under the bulk procurement arrangements, as well as the funds charged to the ESC (13 per cent) account for the cost of oil spare parts and equipment. A statistical overview of the processing and approval of all applications for contracts submitted under the ESC (13 per cent) account is contained in annex III.

28. I should like to note with satisfaction that, following the sending of letters by the Executive

Director of the Iraq Programme to the executive heads of all agencies and programmes concerned, there has been a significant increase in the rate of submission of applications by most United Nations agencies and programmes since my last report.

IV. Observation and monitoring activities

A. Inspection and authentication of humanitarian supplies

29. With the exception of the port of Umm Qasr, where the movement and authentication of goods that had arrived were constrained by a number of administrative and logistical factors, the inspection and authentication of supplies by the United Nations independent inspection agents in the authorized entry points of Iraq has proceeded normally.

30. The value of all goods delivered to Iraq since the start of the implementation of the programme has reached a total of $15.89 billion, including oil spare parts and equipment valued at $966 million. Additional supplies, valued at over $12.5 billion, including some $1.5 billion worth of oil spare parts and equipment, were in the production and delivery pipeline.

B. Monitoring of oil spare parts and equipment

31. The oil spare parts and equipment inspection team carried out 410 visits to various warehouses and facilities in the south and north of Iraq. The Committee approved a total of 417 contract applications, worth $365 million, on the condition of end-use/user and follow-up monitoring, of which the goods approved under 206 contract applications, worth $108 million, had arrived in Iraq and had been inspected by the team, as required. The inspection team is also responsible for carrying out special authentication of services rendered by foreign suppliers. In view of the increase in the arrival rate of oil spare parts and equipment and the required monitoring activities, the Executive Director of the Iraq Programme requested the Government of Iraq to agree to an incremental increase in the number of inspectors. I regret that the Government of Iraq has not agreed to such an increase, without which the monitoring ability of the inspection team has been severely constrained. Accordingly, the Office of the Iraq Programme is unable to provide the assurances for end-use/user monitoring sought by members of the Committee as a condition for the release of holds placed on some applications.

32. It may be recalled that in a letter dated 6 June 2001 addressed to the President of the Security Council, I submitted my recommendations pursuant to paragraph 15 of resolution 1330 (2000) regarding arrangements for the utilization of up to 600 million euros to be used for the installation and maintenance, including training services, of the equipment and spare parts funded under the programme for the oil industry (S/2001/566). In a letter dated 17 October 2001 addressed to the Executive Director of the Iraq Programme, the Chairman of the Committee stated, inter alia, that the Committee members agreed in principle with the approach and direction taken in the report, and wished to underline that they were keen to see an oil cash component, as agreed upon in resolution 1330 (2000), implemented as soon as possible. The Secretariat is presently reviewing a number of points described in the annex to that letter, which would also require further consultations with the Government of Iraq.

C. United Nations observation mechanism

33. United Nations observation activities continued to focus on the tracking and assessments of as well as initial and follow-up observations on commodities requiring end-use/user verification by the Committee. Cross-sectoral observations were also undertaken in the education, food-handling, electricity, transport and telecommunications sectors. Observations were limited to day trips for two weeks in September.

34. Observers are currently working with their counterparts in the technical ministries to gather the required information and clarifications requested by the Committee for contracts on hold. While cooperation by the concerned ministries has generally been satisfactory, some difficulties remain in the provision of statistical information needed to assess the adequacy and impact of the programme, particularly in the nutrition sector. The insufficient number of escorts provided in the electricity, higher education and water and sanitation sectors has hindered the full deployment of observers and in turn the gathering of data and information.

35. Details on the distribution of observations by sector and type as conducted by the sectoral working groups during the reporting period are contained in annex IV.

V. Programme implementation

A. Sectoral focus

Food

36. During a stock review, it was noted that between phases VI and X, a total of 662,250 metric tons of pulses and 369,150 tons of dried whole milk were contracted, but only 295,980 tons and 190,556 tons respectively had arrived as at 30 September 2001. The non-arrival of the balance is due partly to limitations on the availability of those commodities on the international markets. Food commodities being subject to price fluctuations, the suppliers tend to wait until the price falls to the most favourable level, since the absence of performance bonds in the contracts does not encourage suppliers to honour their contractual obligations. Given the fact that the present stocks of certain types of pulses and dried whole milk would last for only one to two months, the Government should take immediate action to ensure the shipment of the remaining quantities.

37. Observations indicate that food commodities have been distributed in an equitable manner throughout the centre and south of the country. The distribution of food commodities between urban and rural areas has also been carried out equitably, and commodities have been delivered to the agents and distributed to the households as scheduled.

38. The prevailing socio-economic conditions do not allow a large portion of the Iraqi population to adequately complement the food basket, although the prices of food basket commodities have generally remained stable during the reporting period. Even though the distribution plans from phases VIII to X correspond approximately to the recommendation, contained in my supplementary report submitted to the Security Council in February 1998 (S/1998/90, para. 31), of 2,463 kilocalories and 63.6 grams of protein per person per day, the food ration distributed during the period provided only 2,229 kilocalories and 50.48 grams of protein per person per day.

39. Complementary food inputs that provide additional calories, protein and micronutrients, particularly meat, eggs, fruit and vegetables, are met through interventions from other sectors of the programme, as well as resources outside the programme framework, at subsidized prices. A comprehensive assessment of the household food security situation would take into consideration both government and programme interventions. However, the collection of data on such indicators as income level, debt, purchasing capacity, coping strategy, inflation rate, etc., which would allow an in-depth assessment, is outside the current scope of United Nations observation activities.

40. In the three northern governorates, the verification process handled by the World Food Programme (WFP) is continuing, and computerized family data sheets are being distributed for updating the information. This process is expected to be completed by December, and verification of the data should commence in early 2002.

41. Continuation of such activities as the school-feeding programme in rural primary schools and food-for-work and income-generating programmes, will be subject to a close review of their immediate effects and prospects. WFP is also planning to promote appropriate feeding practices among those who take care of malnourished children. WFP intends to have close consultations among partner United Nations agencies and programmes and local institutions to devise an appropriate strategy for future intervention. Training of volunteers in the Sulaymaniyah and Erbil governorates has already been completed.

Transport and food handling

42. The port of Umm Qasr is the main entry point for commodities imported under the programme. From there, the railway network has traditionally been the major conveyor of imported goods for countrywide distribution. This is complemented by an extensive road network, which provides links to other border entry points (Jordan, the Syrian Arab Republic and Turkey). In the past, barges were also extensively used on the Shatt-el-Arab, Tigris and Euphrates rivers, particularly to transport grain to silos. Destruction and lack of investments have caused a gradual degradation of the network, particularly for rail and barge transportation, emphasizing the important role of

trucking as the only alternative means of transport and distribution.

43. In the early phases of the programme, contracts submitted by the Government were aimed at the immediate repair of existing transport infrastructure and port-handling capacity. The significant increase of imported cargo prompted the submission of contracts to improve infrastructure rehabilitation to ensure the efficient handling of increasing humanitarian traffic. Most approved applications for contracts for the rehabilitation of the port of Umm Qasr relate only to the enhancement of shore operations. Some of the equipment approved in the first half of 2000 was commissioned during the reporting period, introducing noticeable improvements, especially in container operations. Access channels to the port and the berths still require the clearing of wrecks and constant dredging to sustain designated depths, emphasizing the need for the release from hold of related contracts in order to avoid congestion resulting from increased traffic.

44. The current status of the railway system poses serious constraints to moving humanitarian cargo from Umm Qasr to Baghdad and other destinations. Iraqi Republic Railways has submitted contracts to increase the rail hauling capacity, improve track conditions and ensure the safety of operations. An improvement in the availability of locomotives and some progress in the renewal of the railway line have been observed. However, the renewal of the railway line, which is subject to daily closures of portions of the main line for periods of up to 10 hours, is progressing at a very slow pace, as some critical equipment, such as tamping machines, flush butt-welding machines and bulldozers, remain on hold. Most of the contracts for signalling and communication system also remain on hold. The non-approval of those contracts, comprising fibre-optic and complementary equipment, VHF radio communication systems and copper communication cables, hinders improvement of the operational capacity of the railways, which could be achieved with the improvements made in the other operational sectors. In addition, it poses serious safety risks in the operation of freight and passenger trains.

45. Trucking is the only viable means to ensure the timely and equitable distribution of commodities countrywide. The notable increase of imported programme commodities, combined with the below-capacity performance of the railway and barge systems and the condition of the Umm Qasr port, have increased demand for long-haul land transport capacity from Aqaba. The delivery of more than 2,000 trucks has helped to sustain transportation capacity by renewing a portion of the existing ageing trucking fleet, mainly for transport from Umm Qasr. For the transfer of foodstuffs and grain alone, the Ministry of Trade requires a trucking fleet of about 8,000 trucks with a capacity of 12 to 35 tons, while the Ministry of Transport and Communication requires an additional 10,000 trucks for the transport of commodities for other sectors.

46. To maintain this fleet, spare parts, tyres and recovery vehicles must be approved in a timely manner. As regards tyres, national production meets a small part of the actual requirements. The release of the equipment on hold would contribute to the rehabilitation of the tyre production lines and increase operating capacity, which is around 20 per cent of their designed capacity.

47. As most of the existing cold-store complexes are out of order, food commodities complementary to those of the food basket cannot be efficiently distributed countrywide at present. The construction of six new cold and deep-freeze stores is under way, but the rehabilitation of existing facilities is delayed because of holds on spare parts for cold stores and refrigerating trucks. The 20 approved refrigerating trucks are insufficient to meet the requirements. The remaining 12 refrigerating trucks, which are still on hold, are intended for use in distributing dairy products.

48. The status and age of the existing milling and storage facilities, as well as increased wheat flour demand as a result of population growth, requires the regular replacement of the existing equipment. Twenty additional flour mills have been approved and are being delivered for installation. Two mills have been installed, and the construction of two-grain storage complexes in Wailya (Ninewa governorate) and Khan Dari (Baghdad governorate) is progressing to ensure sufficient processing and storage capacity. The installation of new equipment and machinery has improved wheat flour quality, as well as the handling, storage and cleaning of grains in the silos. Additional storage capacity will make it possible to cope with erratic arrivals of large bulk shipments and national grain production.

49. A small amount of equipment has arrived to carry out basic chemical and microbiological food-quality tests on grain and wheat flour, as laboratory and fumigation materials remain on hold despite regular observations and approval of similar items. The fumigation material is required on a permanent basis and is essential to prevent infestation and to treat wheat. Similarly, the capacity of the central laboratory of the Foodstuff Co. to ensure fitness for human consumption is hampered owing to holds on essential laboratory equipment. As a result, key tests, including some bacteriological analyses, cannot be performed. Quality tests with existing equipment are unreliable and time-consuming, thus increasing the risk of distributing contaminated food.

50. Because of the insufficient power supply, medium-size generators (500-1,000 kVA) are used for emergency power supply for flour mills, food warehouses, grain silos and registration centres. Thirty power plants, with a total capacity of 10 megawatts, have been ordered to ensure the continuous supply of power to large silo and mill complexes. The excess of generated power would supply neighbouring households during power cuts. Small generators (2.5-7.5 kVA) have been distributed for sale at subsidized prices, mainly to owners of small shops, private clinics and farmers.

Health

51. In the health sector, 85 per cent of delivered health supplies and drugs have been distributed, thereby contributing to greater access of patients to improved health services, particularly in the areas of chronic and infectious diseases and heart disorders. However, despite the availability of drugs against amoebic dysentery, hydatidosis, toxoplasmosis, typhoid and visceral leishmaniasis, these diseases are not under control due to the poor state of water, environmental sanitation and related infrastructures.

52. An urgent priority of the Government is the local production of drugs, syringes and other medical supplies. Raw materials and equipment have arrived at Samara Drug Industries, and contracts have been submitted for the Arab Company for Antibiotic Industries. This equipment included an ampoule line for injectables and an inhaler line for anti-asthma drugs, meeting some of the shortages mentioned in earlier reports. Furthermore, according to the Ministry of Health, production capacity of the main local drug industries stands at 35 per cent of designed capacity and covers about 12 per cent of the drug supply market share in the country. Production capacity and the range of items produced are expected to increase as new production lines and more raw materials arrive, eventually improving the treatment of cardiac diseases and central nervous system disorders.

53. Some machinery and equipment, spare parts and other inputs have been received at the factories, leading to an increase in the production of a range of drugs for the treatment of gastrointestinal disorders, respiratory ailments, central nervous system diseases, infections, endocrine and metabolic disorders and drugs affecting blood formation and coagulation, meeting some of the country's medicine and medical supply needs. However, because of the lack of some complementary items on hold, the plants are still using outdated machines and equipment, which often break down, mainly affecting the production lines for eye drops, ampoules, oral drops and inhalers.

54. Because of the availability of vaccines during the reporting period, the Ministry of Health is conducting the autumn national immunization days for polio during November 2001 and January 2002 and is also planning to conduct a measles campaign, which will be combined with the second round of polio immunizations. Sufficient vaccines have also been ordered to meet the need for routine immunizations and campaigns in 2002.

55. The rehabilitation of equipment in hospitals and health centres is a priority of the Government. Equipment provided under the programme has improved diagnostic and therapeutic capabilities, and has also increased the accuracy of laboratory results. Observation visits indicated that the number of laboratory investigations and surgical operations had increased since the inception of the programme. However, laboratories are not always able to make accurate and timely diagnoses because of holds on laboratory reagents, erratic arrivals, slow rate of contracting and inadequate funds for equipment, hampering proper treatment. Although the Government has carried out site preparation for the installation and proper maintenance of programme equipment such as magnetic resonance imaging and computerized tomography scanners used in imaging diagnosis, other equipment, such as haematology analysers, spectrophotometers and X-ray machines, will be installed as funds become available.

56. In the three northern governorates, the quantity of medicine and medical supplies received under the bulk purchase procurement has doubled in comparison with the previous reporting period, meeting some of the shortage previously reported. However, significant shortages persist, as the supply of items that are presently being produced domestically by Samara Drug Industries are not being provided to the three northern governorates. Efforts to resolve this problem have encountered difficulty over the issue of whether those products can be purchased and paid for directly by the programme to the Ministry of Health/Kimadia using funds from the ESC (13 per cent) account rather than through the transfer of funds from the ESC (13 per cent) account to the ESB (59 per cent) account, which is the established procedure for the supply of food, medicine and vaccine delivered to the three governorates under the bulk procurement arrangements. I intend to keep the Council informed of any progress made in the current discussions being held with the authorities concerned. As well, periodic shortages of imported items continue to occur. In that connection, the United Nations Office for the Humanitarian Coordinator in Iraq and the World Health Organization (WHO) have initiated a review of ordering and distribution channels between the three northern governorates and the central system. A process has also been established between the three northern governorates to identify and immediately exchange drugs about to expire in order to avoid waste and to rationalize their use. WHO is being requested to report to the Committee on the progress made in that regard.

57. The installation and replacement of medical equipment and the training of technicians and physicians have led to improvements in the diagnostic and curative capability of health services. Physical rehabilitation of the health infrastructure also continued during the reporting period, aimed at improving the capacity of educational and medical institutions.

58. More than 95 per cent of children under five years of age were vaccinated in the first round of national immunization days. Another round was to start in early November, and the second in early January. However, shortages of diphtheria/pertussis/tetanus (DPT) vaccines remain, leading to a decrease in the coverage rate. One million doses of the vaccine have recently arrived in Iraq and are undergoing quality-control tests. In order to raise the low level of immunization coverage for measles and mitigate the risk of epidemics in 2002, a measles campaign is planned for November 2001.

59. Activities have been carried out for the control of communicable diseases: the directly observed treatment short-course strategy has been implemented as a pilot project in the Sulaymaniyah governorate for the treatment of tuberculosis and will be implemented in the Erbil and Dahuk governorates to ensure proper treatment for patients and to control the disease in the region. In addition, insecticide spraying will continue in order to control the spread of malaria.

60. The social programmes in the three northern governorates focused on the rehabilitation of existing services for children in need of special protection through service delivery and training of staff at facilities for disabled children, orphans, juvenile delinquents and working children. For example, more than 5,000 children with disabilities benefited from rehabilitation services run by non-governmental organizations (NGOs), including the production and repair of orthoses, prostheses, mobility aids and shoes, as well as the provision of physiotherapy. Several institutions serving children with disabilities received basic supplies such as desks, chairs and various other items.

Nutrition

61. The food basket distributed in Iraq includes infant formula for all families with young children, which adversely affects breastfeeding practices, resulting in a high rate of malnutrition. This combined with an inadequate water and sanitation infrastructure contributes to high prevalence of diarrhoea among children, which has increased from 3.8 episodes per child per year in 1990 to 14.4 in 1999. According to the United Nations Children's Fund, this is one of the main causes of the high child mortality rate in Iraq.

62. A shortage of high-protein biscuits during the reporting period and the non-availability of therapeutic milk have affected gains already made under the targeted nutrition programme and could lead to an increase in moderate to severe malnutrition among the group of beneficiaries covered by the programme. In addition to the relatively low level of funding for the targeted nutrition programme, the shortages have resulted from two factors: a delay in the signing of new

contracts and the failure of suppliers to honour two successive contracts for a total of 6,625 tons of high-protein biscuits in 2000 and 2001. There are approximately 810,000 malnourished children in Iraq, 75 per cent of whom currently have access to a network of 2,700 community childcare units. It is estimated that when the supplies are available, up to 300,000 malnourished children could be reached during any given phase of the programme. Under the WFP-assisted regular programme, the families of 20,000 malnourished children under five years of age received supplementary food rations during the past 12 months. The project used the network of community childcare units for the screening and referral of children to primary health-care centres.

63. With regard to the nutritional status of children under five years of age, significant achievements have been made in the three northern governorates since the inception of the programme. In July 2001, a household nutritional status survey was conducted, sampling a total of 2,745 children under five years of age to assess the current health and nutritional status of them and their mothers as well as feeding practices, and to identify high-risk groups. Survey results showed that 10.7 per cent of children were underweight, 3 per cent were severely malnourished (wasted), and 11.4 per cent of children suffered from chronic malnutrition (stunting). These results indicate a significant improvement when compared to 1994 and 1996 data, as shown in the table below.

Malnutrition of children under five years of age in the three northern governorates (percentage)

Year	*Underweight*	*Severely malnourished*	*Chronically malnourished*
1994	25.8	4.2	37.3
1996	19.3	3.8	26.3
2001	10.7	3.0	11.4

64. These improvements have to be seen in relation to the cumulative effects of increased food security, increased health inputs and the overall improvement of the local economy, as well as efforts to support a growth monitoring system with specific nutritional interventions.

Water and sanitation

65. In the initial phases of the programme, the Government initiated repair works to increase the production of potable water at water treatment plants that serve mostly the urban population. The trend continued and has now moved on to the rehabilitation stage. During the reporting period, 43 of the 210 existing water treatment plants received programme inputs, mainly pumps, chlorinators, starters and a few generators, to carry out daily repair work resulting in a marginal increase in water production. In order to significantly increase and improve water production and quality in the 15 governorates, major rehabilitation of water treatment plants is necessary and can be undertaken only when electromechanical equipment for the plants are released from hold. In this connection, the role of the power supply and the water network cannot be overemphasized. Accordingly, it is essential to ensure that applications submitted in relation to the electricity sector be approved as expeditiously as possible.

66. Compact water-treatment units serve semi-urban and rural areas. During the reporting period, 144 compact units (12 per cent of the total number) were observed. Results indicate that 93 compact units, mainly the large ones, received programme inputs, such as pumps, electrical starters, chlorinators and generators, increasing their water production capacity. While potable water production increased from 45 to 54 litres per person per day, only an estimated 32 litres per person per day are available at the household level. The Iraqi standard is 180 litres per person per day for rural areas. It was also observed that 49 of the compact units, mainly the small ones managed by the communities, had yet to receive programme inputs. The release of the contracts on hold for compact units and spare parts would definitely improve the quality and quantity of water available to rural consumers.

67. With the exception of Baghdad City and the Qadissiya governorate, where tankers distribute water more than once a day, water distribution in the rest of the governorates ranged from once a day to once every 10 days, with an average of 20 litres per household per day being delivered. The water supply situation in Baghdad City is for the most part acceptable, and it has a higher capacity to serve its peri-urban population. The limited distribution of water in the other governorates is attributable to an insufficient number of water tankers in relation to the size of the unserved

and underserved population as well as distance. The inequity of water availability in semi-urban and rural areas needs to be addressed urgently through the delivery of additional tankers and spare parts, contracts for the supply of which remain on hold.

68. In the initial phases of the programme, the Government initiated repairs of the sewage collection systems and the sewage pumping stations to reduce sewage flooding in the streets and prevent the contamination of water pipes. Since phase IV, attention has shifted to improving the sewage treatment plants. So far, very limited programme inputs (generators, pumps and motors) have been received, and, consequently, raw sewage arriving at sewage treatment plants is discharged into the river with no or minimal treatment. Because of the extreme degradation of the plants in Tikrit and Faris (Salah-Al Din governorate), the Government directly funded their rehabilitation with non-programme inputs. Similar improvements in the other plants are expected in Basrah, Balad, Samara and Al-Owjah once the mechanical and electrical equipment included in contracts currently on hold are released.

69. The programme has focused on sustaining the existing good urban coverage through the replacement, repair and extension of the existing network and improvement of the water quality. In addition, activities have been initiated to expand urban water supply systems to meet the growing demand. In rural areas, water and sanitation projects are aimed at increasing coverage and sustaining existing services and facilities. In order to reduce the disparity in access to water and sanitation in rural areas, unserved villages were identified and given priority.

70. The disparity in water supply and sanitation coverage between subdistricts has dropped significantly. In urban and semi-urban areas, attempts were made to extend the water distribution network to unserved and underserved areas.

71. WHO has brought a team of experts to assess the quality of drinking water in the three northern governorates and to recommend appropriate remedial measures. Moreover, in order to improve further the quality of drinking water, ongoing training is being provided to technicians and health workers on new techniques.

72. The results of surveys on access to safe water in urban areas indicate that there has been no decline, while it has been noticed that there has been a marginal increase in the coverage and a significant increase in the quantity of water available owing to the replacement of pumps, extension of the water distribution network, expansion of some of the existing water supply systems, installation of 70 chlorinators and the uninterrupted supply of water treatment chemicals.

73. The programme intends to undertake very large urban water supply and sewerage projects in the urban centres of Erbil, Dahuk and Sulaymaniyah. A mission by the United Nations Office for Project Services (UNOPS) to finalize the project design, scheduled for early September, has been delayed as visas have not yet been granted, despite previous consultations with the Government of Iraq on the nature and scope of the project.

Agriculture

74. The consequences of holds are felt across all the agricultural subsectors and are leading to a decline in overall agricultural productivity. Despite reporting on 5 September 2001 about a grave whitefly outbreak affecting over 15,000 hectares of citrus orchards, sprayers and various pesticides for fruit and vegetable production remain on hold. As a result, the Government of Iraq has been unable to arrest the development and spread of the pest. The rapidly spreading outbreak is also affecting the production of vegetables, mainly cucumbers and tomatoes, decreasing yields by 30 per cent and forcing prices up. Without effective control measures, the whitefly outbreak could result in grave consequences for fruit and vegetable production as well as cause the spread of viral plant diseases. This could be a setback for the nutritional objectives of the programme, which promotes local production of vegetables and fruits as a viable means of supplementing the food basket with needed minerals and vitamins.

75. The incidence of enterotoxaemia, an endemic disease that causes the sudden death of mainly sheep and goats, has increased throughout the country, as preventive vaccination has been suspended since April 2001. Because the last available stocks were nearly exhausted prior to the spring 2001 vaccination campaign, the campaign could not be completed, and vaccines for the autumn campaign are still on hold. The unavailability of the vaccine could lead to an epidemic as animals lose immunity.

76. Recent deliveries of irrigation inputs helped in the reclamation of 7,500 hectares in the Baghdad governorate and the construction of 1,500 kilometres of canals as an extension of the surface irrigation network of Dakook District (Tameem governorate), which in turn should enhance food production and income for the local population by increasing farm income and employment. Ninety deep-water wells for agricultural use and for potable water were drilled in eight governorates in order to help local farmers mitigate the adverse impacts of drought and to increase the crop production area, as well as to extend the summer crop production in isolated areas. Also, a new pumping station with a capacity to irrigate 7,500 hectares of reclaimed land was commissioned in Buaitha (Baghdad governorate).

77. A study of poultry hatcheries showed that the poultry revival programme continued to grow steadily. The number of eggs hatched increased from 67 million in 1999 to 121 million in 2001, providing an extra 45,000 tons of chicken meat sold at subsidized prices to the population. Moreover, the programme now produces 93 per cent of hatching eggs locally, compared with 20 per cent at the inception of the programme, maximizing the production of chicken meat. Locally produced eggs have higher hatchability than imported eggs, as they are stored for short periods after being laid and are not transported over long distances. The lifting of holds on hatchery inputs such as spare parts and cool trucks for egg transportation will further enhance national poultry production.

78. The tomato paste line of the Harir processing plant produced some 600,000 cans of high-quality tomato paste within the trial and commissioning period between June and September 2001. This is expected to increase the income of small farmers. In addition, it contributes to some extent towards improving the nutritional level of the population by providing an out-of-season processed food.

79. Activities related to pest and disease control in both plant and animal production fields continued. Vaccines requested under distribution plans for phases VI and VII were received for the prevention of epidemic and endemic animal diseases. Contracts for the required chemicals have been approved by the Committee, and supplies are due to arrive soon to prevent such occurrences as heavy tick infestations, which have resulted in outbreaks of haemorrhagic Congo fever and an increase in blood-borne parasitic diseases in animals transmitted by ticks. The capacity for adequate storage of vaccines and biological substances in the Erbil governorate improved significantly with the installation of two cold storage rooms in the warehouse of the Food and Agriculture Organization of the United Nations and seven in veterinary centres. The integrated pest management awareness campaign throughout the northern governorates reached approximately 40,000 farmers in more than 3,200 villages in an effort to introduce methods of controlling agricultural pests through alternative pest-control methods, which will assure sustainability and less dependence on agrochemicals and which are environmentally friendly. In addition, bee-keeping campaigns were carried out in more than 2,100 villages in which 12,400 bee-keepers were trained in modern methods of bee-keeping, thus improving the quality and quantity of honey that is now available in the market.

80. Efforts to assist small farmers in drought-affected areas included the distribution of high-quality seeds, orchard tools and fertilizer. The supplementary activities carried out covered irrigation, weeding, cultivation, budding and fertilization. However, until already identified sustainable technical solutions are implemented in those villages, the water relief campaign will have to continue.

Electricity

81. The total allocation for the electricity sector in the 15 governorates in the centre and south of Iraq since the inception of the programme is approximately $3.8 billion, of which 72 per cent is for generation and 28 per cent is for transmission and distribution networks. Of that amount, $1 billion has been allocated to the maintenance and rehabilitation of the generation system and $1.7 billion to the provision of new generation plants. The integration of new generation plants that are currently under construction will add 1,549 megawatts to the system. As at 31 October, equipment, such as new power plants and spare parts for existing power plants and networks, amounting to only $1.145 billion, had arrived because of the long lead time required for this type of equipment.

82. Despite the huge investment in maintenance and rehabilitation, the deficit in power reached 2,800 megawatts at peak hours in August. With the current inputs, it is projected that the deficit will be reduced to 1,500 megawatts at peak hours by 2003. If 21 contracts

on hold worth approximately $700 million pertaining to new generation and rehabilitation are released, and given a consumer growth rate of 4 per cent, it is anticipated that the power deficit will be about 1,000 megawatts in 2006, based on the current output of the hydropower stations. A total capacity of 2,500 megawatts of hydropower is installed, but the temporary drought has decreased the output to 434 megawatts. Despite the lifting of many contracts from hold, key complementary parts for maintenance and new generation are still on hold, precluding not only the addition of capacity, but also the adequate and timely maintenance required for the electricity sector overall. Gas turbine and thermal power plants could be commissioned within two and a half and four years from the date of issuance of the letter of credit and could generate 1,886 megawatts. Rehabilitation equipment for installation in power generation plants throughout the 15 governorates is on hold, and ongoing observations confirm that the Commission of Electricity has the capacity to undertake the work efficiently. It is estimated that this equipment could increase power generation by 749 megawatts.

83. The capacity of the transmission network should correspond to the available generation capacity. The Commission of Electricity is planning to enhance transmission lines in order to absorb all the power generated. Nine contracts, for transmission lines, load dispatch, control and protection, worth $70 million, remain on hold.

84. Generally, the distribution network can absorb and distribute the available power to consumers. However, in most of the rural areas, the state of disrepair of the network owing to the unavailability of spare parts is disrupting and hampering local electricity distribution. So far, supplies contracted for the distribution system are insufficient to arrest further deterioration of the network. The existing distribution network would be expanded only once adequate power generation capacity existed. With the development of generation and transmission, it is anticipated that the Government of Iraq will focus on preventing further deterioration of the distribution system and increase its capacity.

85. The essential output of the two manufacturing companies producing distribution transformers and low tension cables and wires is hampered owing to the non-availability of raw materials, spares parts and production line equipment. The Government is trying to address the situation by presenting contracts for raw materials, spare parts and machinery, which are currently on hold. In view of the present conditions, and in order to meet the objectives of the programme, it is essential to increase the production capacity of those companies.

86. In the three northern governorates, the power generated by the Dokan and Derbandikhan plants has continued to decrease because of the effects of drought, as well as the poor condition of the plant and machinery. Erbil received a continuous load of 20 megawatts for essential services only, while households were not served at all. Each household in Sulaymaniyah received three hours of electricity at 6 amperes a day. The Dahuk governorate received an average of 50 megawatts from the national grid, with a range of four to eight hours per day.

87. As a result of inordinate delays in and/or the refusal to grant the necessary number of visas by the Government of Iraq, the three diesel stations have been operating under emergency arrangements because of the limited number of international experts required for the electricity projects. A single nine-hour shift is being worked at Dahuk, while the Erbil and Sulaymaniyah power stations are working two eight-hour shifts. This will have a significant impact on the integrity of the stations. The daily starting and stopping of the plants due to interrupted operation will affect the overall service life of the plants and lead to more frequent overhauls. Similarly, the more frequent operation of substation feeder circuit breakers will lead to a need for more maintenance. Other effects of the limited operation are the potential shutdown of the plant in the event that major repair is needed; limited training and transfer of skills to national staff; and the possibility of losing the services of staff for whom visas have not been renewed.

88. Regarding transmission lines, contract negotiations for the turnkey works were successfully concluded, and the works are planned to begin in December, subject to Committee approval and the issuance of visas. Delays in the planned schedule will directly restrict the export of power from available generation sources, including the national grid, once the three northern governorates are reconnected, to meet demand in major load centres. Also, a substantial number of substations will not be commissioned and/or their service dates will be delayed because the connecting transmission lines will not have been

rehabilitated or constructed. Presently, 10 substations (9 in Sulaymaniyah and 1 in Erbil) continue to be affected by the non-issuance of visas for supervisors and commissioning staff.

89. Implementation works on the distribution network have started, as the majority of the materials were received in August and September. This will allow the completion of rehabilitation works on the most deteriorated lines before the oncoming winter season, resulting in improved reliability of electricity supply to about 10 per cent of consumers.

90. In April of this year, the programme facilitated agreement among the local authorities in the northern governorates on a set of "common understandings" regarding the reconnection of the three northern governorates to the national electricity network (see S/2001/505, para. 95). The awaited response from the Government, referred to in my previous report to the Council (S/2001/919), has now been received. It contains firm proposals relating to the provision of additional generation capacity and the repair and reconstruction of three transmission lines in two stages. The fundamental elements of the Government's proposals have recently been shared with the local authorities in the north, following which they have amended their common understandings reached in April to be in line with those elements, the details of which are being provided to the Committee at a briefing on 20 November by the United Nations Humanitarian Coordinator in Iraq and the United Nations Development Programme (UNDP), which is responsible for implementing the electricity-related projects in the three northern governorates.

Education

91. In Iraq, basic (primary and secondary) and higher education continue to be affected by the severe shortage of teaching materials, furniture, books, stationery and laboratories. To address the immediate shortages, the Government has steadily increased its allocation in the education sector. The thrust of Government spending for basic education has been on classroom furniture, transport vehicles, student materials and teaching aids, spare parts for the printing press, office equipment and school rehabilitation materials. While items such as desks and blackboards have received more attention, others, such as school rehabilitation materials, now warrant more attention.

92. Assessments of the physical condition of schools indicate that over 80 per cent remain in poor condition. The rehabilitation materials distributed to date have had a limited impact. An assessment of primary schools shows that 40 per cent of them run on a double-shift system to ensure greater access. Despite this, overcrowding of classrooms persists because of growth in the student population and the slow pace of rehabilitation, leading to a reduction in the quality of education.

93. The arrival of 280 trucks and 60 personnel vehicles, comprising one third of approved contracts, has partially alleviated transportation needs. Trucks are used to deliver commodities from central to governorate warehouses, while schools still have to hire vehicles to collect their allocation of supplies from the governorate warehouses. The arrival of the remaining contracted vehicles is expected to improve the distribution of commodities, as well as the supervision of schools, particularly in the rural areas.

94. In higher education, there are 48 universities, technical institutes and technical colleges catering to an estimated 300,000 students. The thrust of the distribution plans in the initial phases of the programme covered commodities that improved physical teaching and learning, as well as the administrative environment. Core teaching and clinical scientific equipment were limited to a few items in a number of disciplines, such as microscopes for science, ultrasound and dental care units for medicine and universal testing machines for engineering. With the availability of greater funding resources, a wider variety of items, specifically scientific equipment, were included in the distribution plans from phase V onward. However, major contracts affecting almost every scientific discipline were placed on hold.

95. Materials and equipment delivered to date have sustained the level of activities in higher education; however, holds are affecting all fields. In the dental and medical fields, complete laboratories as well as teaching and clinical equipment are on hold. Substantial contracts for basic science and engineering equipment also remain on hold. Consequently, in all disciplines where practical training is of paramount importance, the professional competence and expertise of students and staff alike is being undermined.

96. In the three northern governorates, the school-mapping project was implemented to utilize data

management in order to encourage gender-sensitive educational planning and programmes for the future. The project will also allow the programme to identify educational requirements on a geographical basis and will allow targeted prioritization of activities. As reflected in the preliminary assessment of the project data, access and participation appear to have increased in secondary education. Systematic gender-sensitive approaches to education as well as tools for institutionalizing gender equity in the overall educational system are needed.

97. In secondary education, teacher training programmes were focused on enhancing teachers' skills and knowledge in such fields as computing, mathematics, teaching methodologies, vocational education, accounting and auditing and sociology. In higher education the focus was on educational construction, symposiums and educational management. Furthermore, emerging needs at the tertiary level led to an expansion of teacher training programmes.

98. Several training programmes for kindergarten teachers and the renovation of learning facilities were undertaken as part of early childhood development. The aim is to increase the intake of kindergartens by the end of 2004 in order to double the number of children currently enrolled and promote parenting education. In order to develop child-friendly learning environments in urban, rural and remote areas, the programme supports school rehabilitation and the distribution of school desks and other furniture, stationery and other supplies.

99. To improve services to children in need of special protection, support was provided to a wide range of staff training, including psychosocial education training and training courses on nutrition, food handling, first aid and computing. In support of unaccompanied and working children, the training of street/working boys continues at vocational training centres in Erbil. Summer recreational activities, including English, drawing, sports and music training, continued for children in orphanages throughout August.

Telecommunications

100. During the reporting period, an antenna subsystem for the satellite earth station was delivered to the country. This is the first piece of core communication equipment that has arrived so far. The station, once completed and installed, will improve international connectivity.

101. According to the Iraqi Telecommunication and Post Company, network faults have marginally decreased since the installation of copper cables and accessories received during the period. However, while further deterioration of the network ceased, problems remain, as telecommunication exchange equipment is yet to be delivered. As a consequence, previous subscribers who have been disconnected are still awaiting reconnection.

102. Seventy mobile workshops are being used for dispatching maintenance teams with spare parts and/or tools to the facilities to rectify faults, which cover approximately 25 per cent of the needs. Thirty-two additional mobile workshops are on hold, and their release would facilitate faster repairs.

103. In the three northern governorates, priority activities undertaken by the International Telecommunications Union (ITU) focused on field assessments to define the actual requirements of the telecommunication systems in order to plan and propose projects that would achieve a reasonable level of service by substantially increasing the number of telephone lines, as well as improving the quality of service.

104. As an urgent requirement, ITU proposed the replacement of the deteriorated switching centres in the three main cities and the microwave transmission backbone linking the cities. The technical evaluation for those project systems has already been completed, and the negotiations with the contractor are under way. Meanwhile, ITU has prepared the tender documents for the construction and/or renovation of the 11 microwave sites and the main switching centres. ITU has also started preparations to provide the transmission network linking the regional to the national network.

Housing

105. Construction increased substantially following the inclusion of the housing sector in the programme in June 2000, which resulted in the construction of more than 8 million square metres of housing during the remainder of the year. An estimated 267,000 jobs were generated during the year, generating a positive impact on the economy and reducing unemployment. The number of building permits issued between 1 June and

27 October amounted to 30,000, representing a 32 per cent increase compared with the preceding five months.

106. Recent research by the housing sector working group indicates that 2001 might be a peak year for building activity in Iraq, as up to a record of more than 18 million square metres of residential housing will be built in 2001 (in comparison to 16 million square metres in 1989), providing more than 70,000 new houses to accommodate over 600,000 people. Housing construction is spread out uniformly throughout the 15 governorates, closely following population distribution and benefiting medium- and low-income areas in both urban and rural settlements. Considering the high rate of population growth, some 70,000 dwelling units are needed annually for new families. Therefore, the present rate of construction has prevented the current deficit from increasing further.

107. Despite the subsidized prices benefiting private users, many families cannot afford to purchase the materials allocated to them. They only buy a fraction of the quota, preferring to delay their construction plans until cash becomes available or sell the materials to local dealers. Many move to incomplete structures and finish building as resources become available, while the majority builds less than the area authorized.

108 The Government is implementing a social housing programme utilizing the special allocations under the distribution plan for phases IX and X to address the housing needs of disadvantaged families. Under the programme, contracts for the construction of more than 6,000 units, distributed among 12 housing complexes, have been awarded. However, 10 of them have been placed in non-compliant status because of contractual arrangements and conditions, lack of the itemized lists of goods and services required and amendments to the terms of payment. As at 15 October, the Ministry of Housing and Construction was developing alternative proposals to facilitate the release of those contracts.

109. Complementary local building materials, such as cement and bricks, are in short supply because of the limited and poor production capacity of the factories. They have not been able to respond with equal speed to the level of demand, which resulted in the escalation of their prices. Between May and October 2001, the market prices of cement and bricks increased by 58 per cent and 32 per cent respectively. Forty-one contracts for the procurement of spare parts and equipment needed for the rehabilitation of factories producing cement, bricks, thermo-stone for lightweight concrete, glass and ceramic, plastic and electrical accessories are on hold.

110. Furthermore, the capacity of public institutions to build social housing and infrastructure is constrained by the lack of construction equipment. Thirty-seven contracts for the procurement of equipment for excavation, concrete and asphalt production, delivery and transport, roads and buildings, sewerage and drainage and water treatment, as well as laboratory equipment, remain on hold.

111. To complement the activity of the private sector, there is a need for a more pragmatic approach to make better use of the scarce resources available. Increasing the density and reducing the size and cost of dwelling units for those most in need would make them more affordable and help reduce the housing shortage. The amount of $84.84 million earmarked for the housing sector under the special allocation in the distribution plan for phase X could be used to build 28,280 houses of 74 square metres each at a cost of $3,000 per unit (including social and physical infrastructure). These low-cost dwelling units plus the houses built by the private sector add up to almost 100,000.

Settlement rehabilitation

112. The United Nations Centre for Human Settlements (Habitat) conducted a number of surveys and completed the expanded phase of last year's initial study of internally displaced persons. Surveys included an urban sector review carried out in consultation with the municipal affairs and planning departments of the three major universities, a household survey, a village typology survey and a water and sanitation study focusing on secondary and collective towns and paying specific attention to institutional and management issues. Preliminary analysis of the results of the expanded survey indicate that the provision of basic services in municipalities during the past decade has not kept pace with the very significant migration from rural to urban areas. The study also confirms a serious lack of housing stock, with 40 per cent of households interviewed living in accommodations averaging only 10 square metres of living space per person. Extended families sharing limited housing and economic resources are commonplace throughout the three governorates, and further aggravate living conditions in urban as well as rural areas. The detailed information

from those surveys will enable Habitat to focus more precisely on the poorest strata of the population in providing housing and services. Stand-alone housing projects are no longer accepted; instead, integrated housing packages, including the construction of dwellings and the simultaneous provision of basic services (water, access roads, schools, health facilities, public buildings and an indication of income-generating potential) are being developed. The project management team has established constructive relations with the relevant ministries of the Government of Iraq to ensure that project activities under the programme are as much as possible in line with the stated national policies. Such efforts, undertaken in close consultation with the United Nations Office of the Humanitarian Coordinator in Iraq, seem to have contributed to a better understanding of resettlement activities under the programme.

113. On the side of project delivery, the new approach, combined with a limited streamlining of contracting procedures, is having positive effects. The average monthly delivery of construction work has jumped from $3.1 million per month during the peak season (May-October) in 2000 to $7.8 million in 2001. Further increases in 2002 (a peak season delivery of $15 million per month and an overall delivery of $140-$150 million over the full year is envisaged) will depend on a corresponding increase in funding to administer the programme. Achievement of the planned delivery in 2002 will also be influenced by the success of ongoing as well as planned activities, management training and improvement of methodology and design aimed at increasing the implementation capacity of local contractors. The envisaged programme delivery is estimated to directly benefit more than 40,000 people through the provision of housing. An estimated 150,000 people will benefit indirectly through the provision of services to their communities.

114. UNOPS continued to provide basic relief assistance to internally displaced families. Following an assessment of internally displaced persons living in camps and abandoned buildings, technical teams were set up to carry out a more detailed assessment of water and sanitation in 40 abandoned buildings in Erbil. Similar locations are also being surveyed in the other two governorates. As a result, efforts are now under way to give priority to providing expedient repairs and improved sanitation to those locations with the worst conditions, such as the Benislawa, Balqus, Mogubla and Akre camps, accommodating in total about 3,360 persons. Assistance is also being provided to about 300 families displaced by recent fighting in the area of Halabja. While a temporary site is being erected, most families from Halabja are collecting relief items and relocating with relatives in the district. In addition to these immediate measures, more sustained and comprehensive assistance to the needy will be examined, including improved camp organization, pending the ultimate resettlement of beneficiaries at sites under construction or to be constructed in the future.

Mine action

115. The UNOPS mine action programme continued its support of eight United Nations agency projects for housing and resettlement, electrical infrastructure, transportation and drought eradication initiatives in the three northern governorates of Erbil, Dahuk and Sulaymaniyah. During the present reporting period, demining resources were re-allocated to support the urgent need of UNDP to access power lines for electrical network rehabilitation. Of the 64 minefields presently being cleared in the three governorates, 18 were demined and 5 were returned to the community for grazing, farming and infrastructure in Erbil governorate. The remaining 13 minefields are in the final stages of quality assurance before their return to communities for agricultural use.

116. In order to optimize the current mine clearance capability, the mine action programme has initiated a refined prioritization process that ranks communities according to the incidence of landmines and unexploded ordinance, the number of marked inaccessible areas (land and facilities) and the number of recent victims. The process provides crucial information in planning contaminated area reduction, clearance and marking activities to ensure the most efficient use of resources. During the reporting period, UNOPS implemented this village-centred model and evaluated 250 villages, encompassing 1,334 minefields, in the three governorates. From those, it issued task orders to demining teams for 390 minefields in 51 villages most in need and subject to the highest socio-economic impact. The addition of a new locally developed mechanical machine to existing resources and the ongoing restructuring of demining teams have initiated a process to considerably increase production

levels. The socio-economic impact was verified on 40 completed minefields and the benefits demonstrated ranged from access to grazing and cultivation land, road transport, housing, access to water and electrical and recreational infrastructure rehabilitation. Prior to the clearance activities, close to 400 accidents involving people and livestock had been reported in those minefields.

117. There were 154 new landmine and unexploded ordnance accidents involving civilians throughout the three governorates during the reporting period. The mine action programme investigates each new incident and identifies measures of mine awareness, demarcation and fencing and disposal of unexploded ordnance to prevent further recurrence in those areas. Services have provided for more than 18,000 patient visits and the production of 841 ortho-prosthetic appliances. During the village-centred visits, 28 people in need were assessed and referred for services ranging from the maintenance of prosthetics to vocational training to facilitate their integration into the community. The start of construction of a rehabilitation and vocational training centre in Dahuk, the completion of a rehabilitation and vocational training centre in Diana and the opening of outreach posts in Zakho, Choman and Penjwin bring the implementation of the network of services for victims into its final stages.

118. A new local NGO in the area of mine awareness has been established to serve the population of the Sulaymaniyah governorate. The local mine awareness NGO in the Erbil and Dahuk governorates more than doubled its capacity during the reporting period. Mine awareness activities continued the use of different approaches to safeguard against accidents. Some activities are planned to provide general information to villagers in high-risk areas, others are to inform villagers of upcoming demining activities and to solicit their support and collaboration, and others are corrective in nature, after a new incident has occurred. During the reporting period, mine awareness activities reached more than 43,000 men, women and children in 272 communities in the three governorates.

119. In September and October, seven visas were granted for the continuation of the core programme. However, the planned enhancement of mine clearance rates continues to be hindered by considerable delays in granting and refusals to grant the visas required for essential personnel for the effective implementation of the demining projects, as well as by delays in and/or withholding of import permits for mechanical demining equipment and other technical equipment. As at 31 October, owing to difficulties experienced in receiving the visas, UNOPS had withdrawn its request for 75 visas. The number of visas pending for UNOPS personnel was 41. Discussions with the Government of Iraq are ongoing.

B. Cross-sectoral considerations

Delays in issuance of visas and clearance of imports

120. The difficulties referred to in my previous report to the Security Council (S/2001/919, paras. 95-99) in connection with the issuance of visas to United Nations international personnel, consultants and contractors, contrary to the relevant provisions of the memorandum of understanding (S/1996/356) and the delays in the clearance of imports of essential supplies and equipment, particularly in the electricity sector and for demining projects in the three northern governorates, continue to disrupt the effective implementation of the programme in those governorates. In fact, the delays in granting and/or the refusal to grant the number of visas required and the difficulties encountered in clearing the essential supplies and equipment have been tantamount to placing on hold the implementation of very essential projects for the population in the three northern governorates. Between 1 July and 31 October, the Government of Iraq had granted only 106 visas against the 260 requested by the United Nations, even after the withdrawal of 82 and 75 visas requested by UNDP and UNOPS respectively. The Office of the Iraq Programme is providing to the Committee a special report with information on the impact of delays and/or refusals to grant the necessary visas on programme implementation in the three northern governorates.

121. The position of the Government of Iraq is that since about 900 expatriate personnel are already working in Iraq under the programme, of whom more then 500 are in the three northern governorates, and given the prevailing security concerns, those numbers are excessive. The Government's position is that the figure should be capped at 900, or, preferably, reduced. The Government has also reiterated its position that, considering the high cost of expatriate personnel, the tasks carried out by them could be performed by Iraqi national experts. Given the magnitude of the

programme inputs and the projects to be implemented in the three northern governorates, the number of international personnel is the bare minimum, particularly because there is insufficient local expertise available. Moreover, the local authorities have been reluctant if not totally opposed to accepting national experts from the centre and south, particularly in certain sectors.

122. The Government of Iraq has recently begun to insist on receiving copies of contracts signed by the United Nations and its agencies and programmes with suppliers in connection with projects undertaken by the organizations concerned in the three northern governorates, as well as financial details and internal United Nations mission reports as a precondition for the issuance of visas.

123. As a legal matter, it is the policy of the Organization not to share contracts between the United Nations and/or its agencies and programmes and their suppliers with third parties. With reference to the programme, there is nothing in Security Council resolution 986 (1995) or in the memorandum of understanding between the United Nations Secretariat and the Government of Iraq requiring that copies of such contracts be provided to the Government. The Government of Iraq would have a legitimate interest in obtaining the information it needs to deal with visa applications for personnel implementing the projects. The United Nations stands ready to provide information, as appropriate, needed by the Government in connection with visa requests. Should the Government wish to have additional information in that regard, it may specify the information required. The United Nations has kept the Government of Iraq fully informed on all the activities and projects undertaken pursuant to the mandate given by the relevant Council resolutions. All visa requests, however, should be handled pursuant to the relevant provisions of the memorandum of understanding.

Common programme framework

124. At an inter-agency workshop, planning guidelines were set out for the preparation, over the next six months, of a common programme framework for the judicious use of resources under the ESC (13 per cent) account. To assist in identifying and validating cross-cutting objectives that underpin the common programme framework, the United Nations Office of the Humanitarian Coordinator in Iraq is continuing a review at the district level to determine the spread and the level of service of activities and projects, both completed and ongoing. In that connection, the Joint Humanitarian Information Centre continues to provide information technology support, with emphasis at this time on consolidating and entering information into an integrated database.

VI. Conclusions and recommendations

125. The substantial shortfall in the funds available for programme implementation, particularly during phase X, continues to be a major concern. Although the distribution plan for that phase was budgeted at $5.5 billion, only about $2.2 billion is available for funding the supplies and equipment during phase X, due mainly to the sharp decline in oil market prices over the past two months and the lower rate of export of Iraqi oil under the programme during the present phase. Furthermore, because of the substantial drop in revenues received during the previous phase, over $1.6 billion worth of approved applications have been transferred to phase X for funding purposes. Accordingly, it is recommended that the Government of Iraq further review the relative sectoral allocations in the distribution plan for phase X and submit revised sectoral allocations in order to ensure the funding of priority sectors.

126. I have drawn the attention of the Security Council to a number of difficulties faced in the effective implementation of the programme, which, despite its shortcomings, can and must do more in ameliorating the daily lives of average Iraqi citizens. I have also drawn attention to the frustrations experienced in the implementation of the programme in the three northern governorates of Iraq, particularly in the electricity and demining sectors.

127. I should like to appeal to all parties concerned to take all necessary steps to address most urgently the difficulties referred to in the present report. I should also like to reiterate my appeal to all parties to refrain from politicizing the implementation of the programme and instead to concentrate all their efforts on maximizing the full benefits of the programme to the Iraqi people.

Annex I

Allocation of total oil revenue among the various funds and corresponding expenditures as at 31 October 2001

1. As at 31 October, 3.78 billion euros had been deposited into the account for phase X, as authorized under Security Council resolution 1360 (2001), bringing total oil sale revenues since the inception of the programme to $37.33 billion and 12.03 billion euros.

2. The allocation of total oil proceeds received since the inception of the programme to date and the corresponding expenditures as at 31 October are as follows:

(a) The sums of $19.56 billion and 6.89 billion euros have been allocated for the purchase of humanitarian supplies by the Government of Iraq, as specified in paragraph 8 (a) of Security Council resolution 986 (1995). In addition, $1.234 billion and 68.7 million euros of interest earned in those accounts was available for the purchase of humanitarian supplies in the central and southern governorates of Iraq. Letters of credit issued by BNP-Paribas, on behalf of the United Nations, amounted to approximately $20.58 billion and 6.04 billion euros for humanitarian supplies and oil industry spare parts for Iraq; payments amounted to $14.68 billion and 452.9 million euros under phases I to X;

(b) The sum of $6.08 billion has been allocated for the purchase of humanitarian goods to be distributed in the three northern governorates by the United Nations Inter-Agency Humanitarian Programme, as specified in paragraph 8 (b) of resolution 986 (1995) and as revised by paragraph 2 of Council resolution 1153 (1998). Expenditures recorded for humanitarian goods approved by the Committee amounted to $4,389.3 million;

(c) The sum of $13.96 billion has been transferred directly into the United Nations Compensation Fund, as specified in paragraph 8 (c) of resolution 986 (1995). A total of $224.9 million has been allotted to cover the operating expenditures of the Compensation Commission up to 31 December 2001, and an amount of $12.093 billion has been allotted for payment of various instalments of A, C, D, E and F category claims;

(d) The sum of $908.8 million has been allocated for the operational and administrative expenses of the United Nations associated with the implementation of resolution 986 (1995), as specified in paragraph 8 (d) of the resolution. Expenditures for administrative costs for all United Nations entities involved in implementing the resolution amounted to $522.1 million;

(e) The sum of $351.2 million has been allocated for operating expenses of the United Nation Special Commission and its successor, the United Nations Monitoring, Verification and Inspection Commission, established by the Council in its resolution 1284 (1999), as specified in paragraph 8 (e) of resolution 986 (1995). Expenditures for the Commission amounted to $97.9 million;

(f) The sum of $919.2 million has been set aside for the transportation costs of petroleum and petroleum products originating in Iraq exported via the Kirkuk-Yumurtalik pipeline through Turkey, in accordance with paragraph 8 (f) of

resolution 986 (1995) and in line with procedures adopted by the Committee. Of that amount, $880.2 million has been paid to the Government of Turkey;

(g) The sum of $149.5 million has been transferred directly to the escrow account established pursuant to Council resolutions 706 (1991) and 712 (1991) for the repayments envisaged under paragraph 6 of resolution 778 (1992), as specified in paragraph 8 (g) of resolution 986 (1995) and subsequently in paragraph 34 of my report dated 1 February 1996 (S/1996/978). The total repayments made amounted to $149.5 million.

Annex II

Oil proceeds and humanitarian supply letters of credit as at 31 October 2001

Oil proceeds (United States dollars)

Phase	*Last deposit*	*Number of letters of credit opened*	*Value of letters of credit*
I	27 June 1997	123	2 149 806 395.99
II	2 January 1998	130	2 124 569 788.26
III	30 June 1998	186	2 085 326 345.25
IV	28 December 1998	280	3 027 147 422.35
V	25 June 1999	333	3 947 022 565.12
VI	23 December 1999	352	7 401 894 881.57
VII	10 July 2000	353	8 301 861 931.46
VIII	5 December 2000	319	8 296 257 148.06
Total		**2 076**	**37 333 886 478.06**

Oil proceeds (euros)

Phase	*Last deposit*	*Number of letters of credit opened*	*Value of letters of credit*
VIII	29 December 2000	63	1 579 613 927.64
IX	5 July 2001	204	6 668 418 518.42
X	As of 31 October 2001	175	3 787 133 786.52
Total		**442**	**12 035 166 232.58**

Humanitarian supply letters of credit for the ESB (59 per cent) account and bulk procurement (United States dollars)

Phase	*Number of letters of credit opened*	*Value of letters of credit opened*	*Bank payments made on delivery*
I	870	1 229 078 786.79	1 209 308 382.81
II	538	1 193 975 676.69	1 179 588 382.74
III	672	1 210 934 759.07	1 180 833 523.44
IV — Humanitarian supplies	705	1 590 269 155.50	1 513 263 538.09
IV — Oil spare parts	478	273 895 216.48	239 503 543.85
V — Humanitarian supplies	1 058	1 890 712 716.38	1 613 686 583.27
V — Oil spare parts	550	301 432 339.71	221 602 060.53
VI — Humanitarian supplies	1 652	3 356 134 410.90	2 265 581 840.85
VI — Oil spare parts	918	485 089 632.02	293 844 222.40
VII — Humanitarian supplies	2 269	3 982 512 630.47	2 632 624 688.30
VII — Oil spare parts	777	447 852 418.65	187 364 531.51

Phase	*Number of letters of credit opened*	*Value of letters of credit opened*	*Bank payments made on delivery*
VIII — Humanitarian supplies	1 601	4 318 489 365.58	2 136 000 919.48
VIII — Oil spare parts	315	299 330 028.07	7 010 495.35
Total	**12 403**	**20 579 707 136.31**	**14 680 212 712.62**

Humanitarian supply letters of credit for the ESB (59 per cent) account and bulk procurement (euros)

Phase	*Number of letters of credit opened*	*Value of letters of credit opened*	*Bank payments made on delivery*
VIII — Humanitarian supplies	343	872 625 488.19	41 139 456.46
VIII — Oil spare parts	166	640 784 910.26	2 632 718.51
IX — Humanitarian supplies	800	2 393 655 600.33	408 931 806.33
IX — Oil spare parts	206	314 661 639.29	150 000.00
X — Humanitarian supplies	319	1 816 439 411.54	
X — Oil spare parts			
Total	**1 834**	**6 038 167 049.61**	**452 853 981.30**

Annex III

Status of account applications for all sectors as at 31 October 2001

Status of ESB (59 per cent) account applications

(Millions of United States dollars)

	Total of distribution plan allocations	Applications received		Received versus allocated	Notified/ approved by Secretariat		Under processing[a]		Circulated to committee[b]		Pending at committee		Approved by committee		On hold		Block null/void	On hold[c]	On hold[d]
Sector	Value	No	Value	Percentage	No	Value	No	Value	No	Value	No	Value	No	Value	No	Value	No	Percentage	Percentage
Humanitarian supplies	31 265	14 917	31 014	99.20	2 886	6 577	379	1 593	10 096	22 843	22	108.0	9 045	19 261	1 029	3 475	1 556	15.21	11.81
Oil spare parts	3 600	4 730	3 429	95.25	816	762	288	382	3 425	2 286	3	0.7	2 907	1 727	515	559	201	24.44	18.33
Total	**34 865**	**19 647**	**34 443**	**98.79**	**3 702**	**7 339**	**667**	**1 975**	**13 521**	**25 129**	**25**	**108.7**	**11 952**	**20 987**	**1 544**	**4 033**	**1 757**	**16.05**	**12.42**

Status of ESC (13 per cent) account applications

(Millions of United States dollars)

Share of allocation	Funds allocated to United Nations[e]	Funds allocated to imports	Applications received		Notified/ approved by the Secretariat		Under processing[a]		Circulated to committee[b]		Pending at committee		Approved by committee		On hold		Null/void	Total arrived
			No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value	No.	Value
6 079	**3 628**	**1 774**	**4 584**	**1 178**	**289**	**86**	**231**	**35**	**3 873**	**1 057**	**17**	**3.7**	**3 852**	**1 053**	**4**	**0.48**	**191**	**918**

[a] Includes non-compliant and inactive applications.

[b] This category equals applications approved by the Committee plus those pending plus those on hold.

[c] Holds as a percentage of the value circulated.

[d] Holds as a percentage of the value circulated plus the value notified/approved by the Office of the Iraq Programme.

[e] Indicates the balance of funds allocated to United Nations agencies and programmes after the deduction of the share of the ESC (13 per cent) account for food, medicine/vaccines and oil spare parts that are procured under bulk-purchase arrangement by the Government of Iraq for the entire country.

Annex IV

Sectoral observations for the period from 1 May to 31 October 2001

	Type of observation			
Sector	*Tracking*	*Assessment*	*End-use user*	*Total*
Food	25 093	70 520	0	95 613
Transport and food handling	453	175	239	867
Health	1 900	101	729	2 730
Nutrition	1 679	609	0	1 679[a]
Water and sanitation	2 239	247	1 225	2 751[b]
Agriculture	2 909	833	904	4 646
Electricity	161	254	240	655
Telecommunications	391	2	13	406
Education	1 087	827	50	1 964
Housing	20 946	8	0	20 954
Total	**56 858**	**73 576**	**3 400**	**132 265**

[a] The total number of visits differs from the sum of the visits by type since the assessments are done alongside with tracking during the same observation visit.

[b] The total number of visits differs from the sum of the visits by type since the special end-use/user chlorine tracking is done alongside the regular tracking of items during the same observation visit.

United Nations A/56/636–S/2001/1090

General Assembly
Security Council

Distr.: General
19 November 2001

Original: English

General Assembly
Fifty-sixth session
Agenda items 41, 42, 101, 119 (a) and (b) and 166

Question of Palestine

The situation in the Middle East

Permanent sovereignty of the Palestinian people in the Occupied Palestinian Territory, including Jerusalem, and of the Arab population in the occupied Syrian Golan over their natural resources

Human rights questions: implementation of human rights instruments; human rights questions, including alternative approaches for improving the effective enjoyment of human rights and fundamental freedoms

Measures to eliminate international terrorism

Security Council
Fifty-sixth year

Letter dated 16 November 2001 from the Permanent Representative of Chile to the United Nations addressed to the Secretary-General

I have the honour to transmit herewith the statement issued by the Ministers for Foreign Affairs of the Rio Group on the subject of the crisis in the Middle East, at their meeting held on 14 November 2001 on the occasion of the fifty-sixth session of the General Assembly (see annex).

On behalf of the States members of the Rio Group, I should be grateful if you could arrange for the present letter and its annex to be circulated as a document of the fifty-sixth session of the General Assembly, under agenda items 41, 42, 101, 119 (a), (b) and 166, and of the Security Council.

(*Signed*) Juan Gabriel **Valdés**
Ambassador
Permanent Representative

01-64698 (E) 201101 201101

Annex to the letter dated 16 November 2001 from the Permanent Representative of Chile to the United Nations addressed to the Secretary-General

[Original: Spanish]

Statement by the Ministers for Foreign Affairs of the Rio Group on the crisis in the Middle East

In view of the grave crisis in the Middle East peace process, the Ministers for Foreign Affairs of the countries of the Rio Group, meeting in New York on 14 November 2001 on the occasion of the fifty-sixth session of the General Assembly of the United Nations, wish to state as follows:

1. They most vigorously condemn the acts of violence and the use and threat of the use of force, recognizing that the only valid method of achieving peace is to use the mechanisms for the peaceful settlement of disputes which have been accepted and recognized by the international community, including, in particular, dialogue and negotiation among the parties involved in the conflict.

2. In this regard, the member countries of the Rio Group reaffirm their adherence to the United Nations resolutions which have created the legal framework for the settlement of the Arab-Israeli conflict, in essence on the basis of the constitution of an independent, viable and democratic State for the Palestinian people and security for Israel within internationally recognized borders, and reiterate their concern that the negotiations on the peace process, which began in Oslo in 1993, should be resumed. For this purpose, the Rio Group once again urges the parties involved in the conflict to desist immediately from all acts of violence and to return to the peace process negotiations as soon as possible, and appeals to them to consider all methods conducive to the attainment of that end and to comply with the international community's initiatives and appeals for peace, especially the appeal for the implementation of the recommendations contained in the Mitchell report.

3. The Ministers of the Rio Group countries also urge the entire international community, in particular those countries or groups of countries which have historically borne responsibility in the quest for solutions to the Middle East conflict, to continue to assist the parties involved to resume the peace process negotiations and to monitor and ensure compliance with the commitments freely made by the parties, in the interests of international peace and security, the unrestricted protection of human rights, respect for cultural and religious values and symbols, progress, well-being and development, and cooperation among the peoples in the Middle East region.

New York, 14 November 2001